

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02
AID-05 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 OMB-01 /108 W

-----090232Z 119152 /64

R 061834Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 0158

INFO ALL EC CAPITALS

USMISSION GENEVA

AMEMBASSY TOKYO

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USEEC

GENEVA ALSO FOR MTN

E.O.11652:N/A

TAGS: ETRD, EEC

SUBJECT: EC CONCERN OVER ZENITH CASE IMPLICATIONS

1. FATE OF ZENITH CASE APPEAL AND IMPLICATIONS FOR EC
STEEL AND OTHER EXPORTS CONTINUE TO BE MAJOR ELEMENT OF
CONCERN FOR EUROPEANS. PRESS CONTINUES TO REPORT WIDELY
ON THE CASE: COVERAGE OF GATT WORKING PARTY REPORT, FOR
INSTANCE, WAS HEAVY. OUR CONTACTS AT ALL LEVELS IN
COMMISSION AND MEMBER STATE DELEGATIONS REPEATEDLY STRESS
THAT ISSUE HAS HIGH POTENTIAL FOR DAMAGING US-EC RE-
LATIONSHIP AND SCUTTling THE MTN.

2. IN RECENT WEEKS THE SUBJECT HAS BEEN DISCUSSED
SEVERAL TIMES IN ARTICLE 113 COMMITTEE MEETINGS AND, AT
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SRG INSISTENCE, IN COMMITTEE OF PERMANENT REPRESENTATIVES
(COREPER). SUBJECT IS ALSO ON AGENDA FOR JUNE 21
FOREIGN MINISTERS COUNCIL. (EC OFFICIAL INVOLVED IN
PREPARATION OF PAPER FOR COUNCIL INDICATES COMMISSION
WANTS TO SET OUT EXTENT OF POTENTIAL IMPACT IN NON-
CONTENTIOUS WAY AND IS HOPEFUL THAT COUNCIL DISCUSSION
WILL LESSEN POLITICAL PROBLEM FOR A TIME IN FRG AND

OTHER MEMBER STATES). FRG DEL AND OTHER SOURCES INDICATE THAT PROBLEM HAS BEEN GIVEN HIGH LEVEL POLITICAL ATTENTION IN GERMANY WITH CHANCELLOR SCHMIDT HIMSELF INVOLVED. GERMAN INDUSTRY REPORTEDLY IS INCENSED AT US INDUSTRIES' ABILITY TO USE COURTS AS MEANS TO PUT IN QUESTION BILLIONS OF DOLLARS OF IMPORTS FROM JAPAN, AND EVENTUALLY EC, AND HAS BROUGHT PRESSURE ON GERMAN GOVERNMENT TO COMPLAIN. FRG DEL SOURCE INDICATED THAT HIS GOVERNMENT DOES NOT QUESTION USG POSITION ON BASIC ISSUE THAT REBATE OF INDIRECT TAXES IS NOT A SUBSIDY. MAIN GERMAN CONCERN IS TO HEAD OFF TRADE DAMAGE AND KEEP PRESSURE ON USG.

3. GERMANS ARE NOT ALONE IN EXPRESSING CONCERN. ITALIANS REPORTEDLY SUGGESTED AT LAST 113 COMMITTEE MEETING THAT QUESTION BE RAISED AT THE OECD MINISTERIAL MEETING LATER THIS MONTH. ALTHOUGH THIS PROPOSAL NOT ADOPTED, GENERAL CONSENSUS OF DISCUSSION IS THAT COMMISSION AND MEMBER STATES NEED TO CONTINUE TO USE ALL AVENUES TO BRING THE GRAVITY OF THE SITUATION HOME TO THE USG.

4. COMMUNITY OFFICIALS HAVE TAKEN SOME HEART FROM US WILLINGNESS TO GO ALONG WITH POINTS MADE BY OTHER PARTICIPANTS IN GATT WORKING PARTY MEETING LAST WEEK. NONETHELESS, WE CAN ANTICIPATE FURTHER EUROPEAN REMINDERS THAT THEY EXPECT US TO TAKE CARE OF ZENITH CASE ON OUR OWN, EITHER THROUGH APPEAL PROCESS OR LEGISLATION. JUST ANNOUNCED ACTION BY US STEEL SEEKING SUMMARY JUDGMENT OF ITS CASE WILL HEIGHTEN EUROPEAN CONCERN. HINTON
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NNN

Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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